



LESSON 12 Doing payroll with QuickBooks

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Lesson objectives

- To gain an overview of payroll in QuickBooks
 - To learn more about payroll setup
 - To set up employee payroll information
 - To set up payroll schedules
 - To practice writing and printing a payroll check
 - To learn how QuickBooks tracks your tax liabilities
 - To practice paying payroll taxes
-

Supporting materials

- Handout 8: Employer payroll responsibilities
 - Handout 9: Payroll item types
 - Handout 10: List of payroll expenses and liabilities
 - PowerPoint file: Lesson 12
 - Video tutorial: Payroll overview
 - Video tutorial: Paying employees
 - Video tutorial: Paying taxes and liabilities
-

Instructor preparation

- Review this lesson, including the examples, to make sure you're familiar with the material.
 - Ensure that all students have a copy of qblesson.qbb on their computer's hard disk.
 - Have Handouts 8, 9, and 10 ready for distribution.
-

To start this lesson

Before you perform the following steps, make sure you have installed the exercise file (qblesson.qbb) on your hard disk. See “Installing the exercise file” in the Introduction to this guide if you haven't installed it.

The following steps restore the exercise file to its original state so that the data in the file matches what you see on the screen as you proceed through each lesson.

To restore the exercise file (qblesson.qbb):

- 1** From the File menu in QuickBooks, choose Open or Restore Company. QuickBooks displays the Open Company: Type window.
- 2** Select “Restore a backup copy (.QBB) and click Next.
- 3** In the Restore Backup: Method window, select Local Backup and click Next.
- 4** In the Open window, navigate to your c:\QBtrain directory.
- 5** Select the qblesson.qbb file, and then click Open.
- 6** In the “Restore Backup: To Location” window, click Next.
- 7** Navigate to your c:\QBtrain directory.
- 8** In the File name field of the Restore To window, type *lesson 12* and then click Save.
- 9** Click OK when you see the message that the file has been successfully restored.

Overview of payroll tracking

Refer to Handout 8, “Employer payroll responsibilities” for the following discussion.

This lesson is designed to demonstrate some of the QuickBooks payroll features. The way you process payroll for your company may differ from this lesson depending on which (if any) payroll service you subscribe to.

Because payroll information is already set up in the exercise file, you will not go through the payroll setup process in this lesson.

To calculate payroll, QuickBooks uses tax tables. The exercise file includes the tax table data needed to complete this lesson. To get the tax tables to use with your own QuickBooks company data file, you need to subscribe to one of the Intuit Payroll Services—either QuickBooks Basic Payroll, QuickBooks Standard Payroll, QuickBooks Enhanced Payroll, or QuickBooks Assisted Payroll. To learn about these options or subscribe to one of them, on the Home page go to the Learn About Services section and click “Pay your employees.”

QuickBooks calculates each employee’s gross pay, and then calculates taxes and deductions to arrive at the net pay. With QuickBooks, you can write the paycheck, record the transaction in your QuickBooks checking account, keep track of your tax liabilities, and pay them.

You, as the employer, must subtract taxes and other deductions before issuing an employee’s paycheck. Some typical paycheck deductions are federal and state withholding (income) taxes, social security taxes (FICA), Medicare taxes, and state unemployment insurance. You may also deduct for benefits such as a 401(k) plan, or contributions to your company’s medical/dental plan.

When you withhold social security, Medicare, and federal withholding taxes from employees' paychecks, you must submit regular deposits of the withheld tax money (semiweekly or monthly, depending on the size of your payroll), and file quarterly forms that list the total amounts you withheld from each employee's paycheck.

Calculating payroll with QuickBooks

To do its payroll calculations, QuickBooks needs four kinds of information:

- **Information about your company**

Besides the company name and address, this includes information about your federal tax ID numbers. You enter this information in the EasyStep Interview when you set up your QuickBooks company data file. (You can view most company information by choosing Company Information from the Company menu.)

- **Information about your employees**

The QuickBooks Employee list stores general information about each of your employees, and specific information related to payroll (such as the employee's salary or hourly rate, filing status, number of exemptions, and miscellaneous additions, deductions, and company contributions). You can store payroll information that most employees have in common in employee defaults. Whenever you have a new employee to add, simply enter information that's specific to that employee (name, address, and so on).

- **Information about your payroll items**

QuickBooks maintains a list of items that affect the amount on a payroll check, including company expenses related to payroll. When you specify that you want to use payroll, QuickBooks creates a number of payroll items for you. You add others as you need them.

- **Tax tables for federal, state, and local withholdings**

QuickBooks uses tax tables to calculate payroll. You get the current tax tables and keep them current when you subscribe to one of the Intuit Payroll Services mentioned in "Overview of payroll tracking" on page 319. If you choose not to subscribe to one of these payroll services, you need to calculate and enter your payroll tax deductions manually for each paycheck.

Once you've set up your company, employee data, and payroll items, to run payroll you enter the number of hours worked during the pay period for each employee. QuickBooks calculates the gross wages for the employee, and then refers to its tax tables (if you've subscribed to one of the Intuit Payroll Services—Standard Payroll, Enhanced Payroll, or Assisted Payroll) and the company and employee information you've entered to calculate all withholdings and deductions and to arrive at the net pay figure. QuickBooks also calculates your company payroll expenses (for example, your contributions to social security and Medicare).

Setting up for payroll

By default, the QuickBooks payroll feature is turned on and it is turned on in the exercise file. If you want to turn off payroll in your own company file, follow the procedure below.

To turn payroll off in a company data file:

- 1 From the Edit menu, choose Preferences, and click Payroll & Employees in the left panel.
- 2 Click the Company Preferences tab and select “No payroll.”
- 3 Click OK.

Understanding payroll items

Refer to Handout 9, “Payroll item types,” for this discussion.

QuickBooks maintains a list for everything that affects the amount on a payroll check and for every company expense related to payroll. This list is called the Payroll Item list. There are payroll items for compensation, taxes, other additions and deductions, and employer-paid expenses. QuickBooks uses payroll items to track individual amounts on a paycheck and accumulated year-to-date wage and tax amounts for each employee.

QuickBooks adds some items to the list for you, and you can add others as you need them. For common payroll items, such as compensation and benefits, QuickBooks provides extra assistance so you can set them up quickly and accurately.

You work directly with payroll items as you do payroll tasks. Behind the scenes, QuickBooks tracks your payroll liabilities in the Payroll Liabilities account (an Other Current Liability account) and your payroll expenses in the Payroll Expenses account.

To view the Payroll Item list:

- 1 From the Employees menu, choose Manage Payroll Items, and then choose View/Edit Payroll Item List. (You must have payroll turned on to see this choice.) QuickBooks displays the Payroll Item list.

Item Name	Type	Amount	Annual Limit	Tax Tracking	Payable To	Account ID
Salary	Yearly Salary			Compensation		
Sick Salary	Yearly Salary			Compensation		
Vacation Salary	Yearly Salary			Compensation		
Overtime Pay	Hourly Wage			Compensation		
Regular Pay	Hourly Wage			Compensation		
Sick Hourly	Hourly Wage			Compensation		
Vacation Hourly	Hourly Wage			Compensation		
Bonus	Addition		10,000.00	Compensation		
Mileage Reimb.	Addition	0.32		Compensation		
Health Insurance	Deduction		-1,200.00	None	Sergeant Insurance	
Advance Earned Inco...	Federal Tax			Advance EIC Payment	Great Statewide Bank	00-7904153
Federal Unemployment	Federal Tax	0.8%	7,000.00	FUTA	Great Statewide Bank	00-7904153
Federal Withholding	Federal Tax			Federal	Great Statewide Bank	00-7904153
Medicare Company	Federal Tax	1.45%		Comp. Medicare	Great Statewide Bank	00-7904153
Medicare Employee	Federal Tax	1.45%		Medicare	Great Statewide Bank	00-7904153

You've already used the QuickBooks Item list, so this list should look familiar. Just like the regular Item list, each payroll item has a Name and a Type.

The names of the payroll items are what you'll see on paychecks and in payroll reports.

- 2 Close the Payroll Item list.

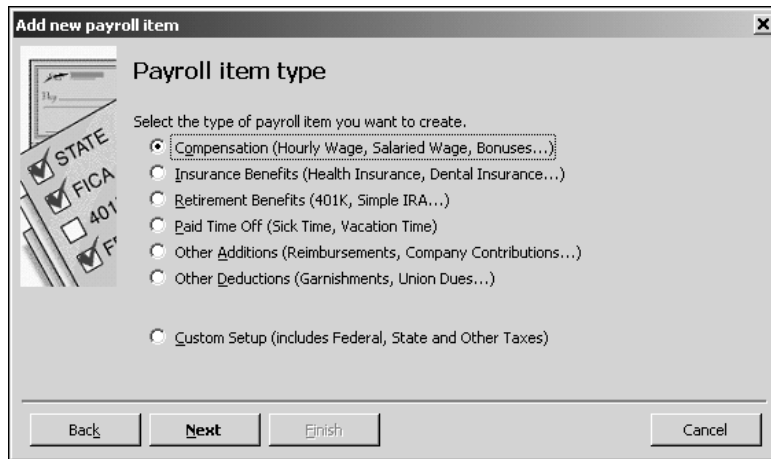
You won't add a new payroll item in this lesson, but if you need to add an item after you've set up payroll in QuickBooks, you can use the following procedure.

To add a payroll item:

- 1 From the Employees menu, choose Manage Payroll Items, and then choose View/Edit Payroll Item List.
- 2 Click the Payroll Item menu button, and then choose New.

- 3 Leave EZ Setup selected and click Next.

QuickBooks displays the Add new payroll item window, which steps you through the payroll item setup process.



- 4 Select the type of payroll item you want to create. Then, click Next.
- 5 Follow the onscreen instructions to create any type of payroll item you like. When you are done, click Finish.
- 6 Close the Payroll Item List.

QuickStart Tip

Depending on your company's payroll, you may need additional payroll items of the following types: Yearly salary, Hourly Wage, State Withholding, State Disability, State Unemployment, Other Tax, Deduction, Addition, Commission, or Company Contribution. Consult with your tax advisor.

Setting up employee payroll information

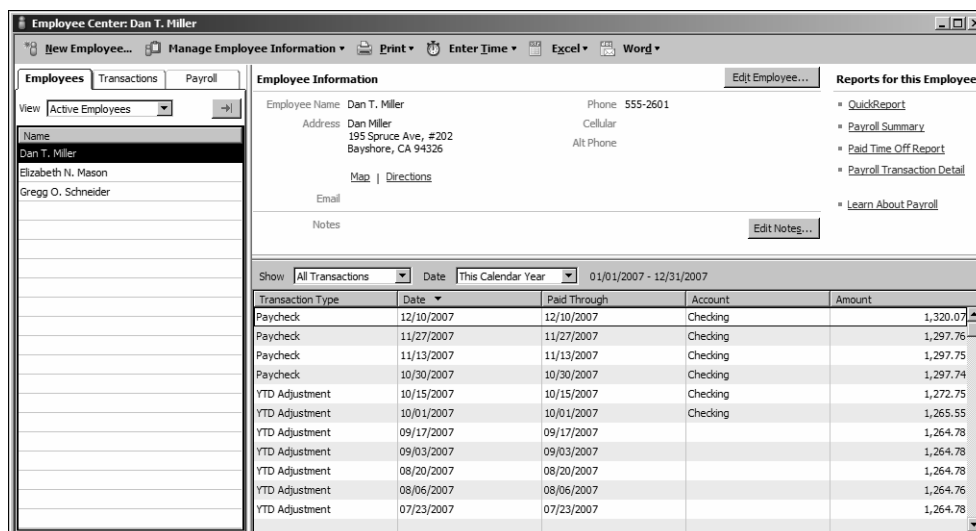
QuickBooks calculates payroll for each employee on the basis of that employee's pay rate, filing marital status, exemptions, and so on. The Employee list stores general information about each employee, as well as payroll information.

What information does QuickBooks store?

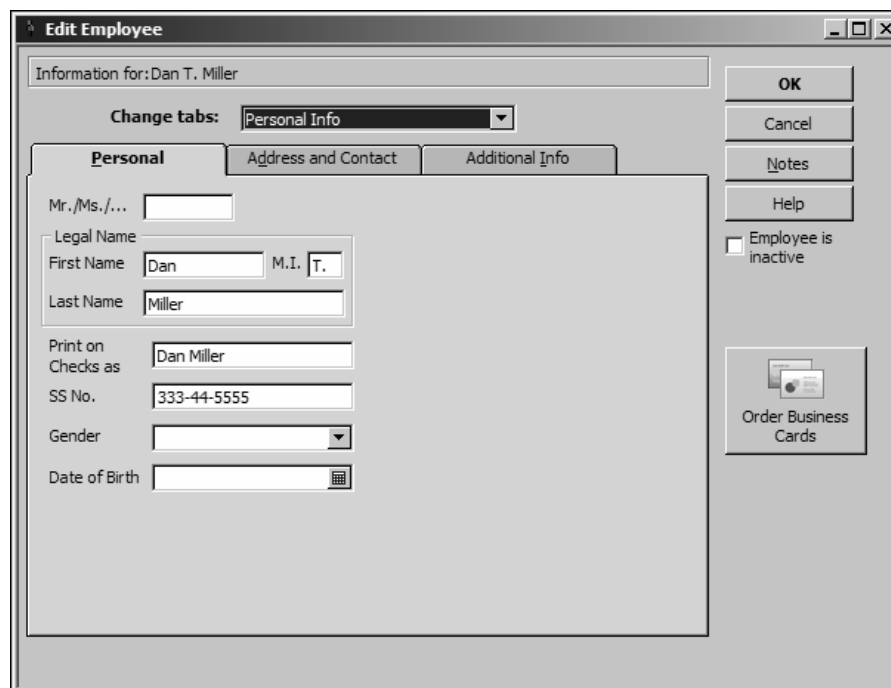
You're going to add a new employee to Rock Castle Construction payroll in a moment. First, look at the information QuickBooks stores in the Employee list.

To view information stored in the Employee list:

- 1 Click Employee Center on the icon bar.



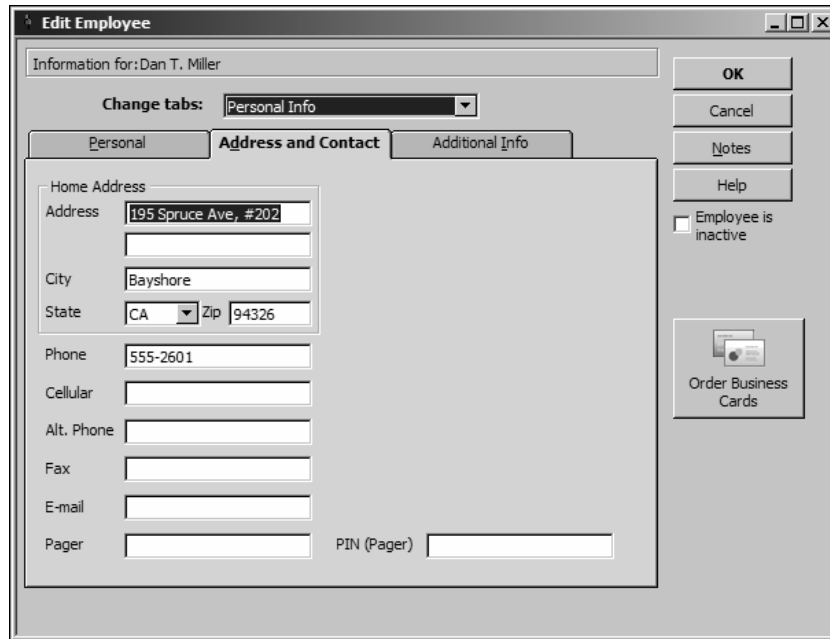
- 2 Select Dan T. Miller in the list, and then click Edit Employee. QuickBooks displays the Edit Employee window for Dan T. Miller.



The Personal tab contains general information about Dan Miller, such as his name, social security number, and date of birth.

3 Click the Address and Contact tab.

This is where QuickBooks stores employees' addresses, telephone numbers, and other contact information.



The screenshot shows the 'Edit Employee' window for Dan T. Miller. The 'Address and Contact' tab is selected, displaying the following fields:

- Home Address: Address (195 Spruce Ave, #202), City (Bayshore), State (CA), Zip (94326)
- Phone (555-2601)
- Cellular
- Alt. Phone
- Fax
- E-mail
- Pager
- PIN (Pager)

On the right side of the window, there are buttons for OK, Cancel, Notes, Help, and a checkbox for 'Employee is inactive'. There is also a button labeled 'Order Business Cards'.

4 Click the Additional Info tab.

The Additional Info tab lets you add custom fields to the Employee list.

- 5 In the Change tabs drop-down list, select Payroll and Compensation Info. QuickBooks displays the Payroll Info tab of the Edit Employee window. This is where QuickBooks stores payroll information.

Information for: Dan T. Miller

Change tabs: Payroll and Compensation Info

Payroll Info

Earnings

Item Name	Hourly/Annual Rate
Salary	41,500.00

Payroll Schedule: [Dropdown]
Pay Frequency: Biweekly

Use time data to create paychecks

What is a payroll schedule?

Additions, Deductions and Company Contributions

Item Name	Amount	Limit
Health Insurance	-25.00	-600.00

Employee is covered by a qualified pension plan

Buttons: OK, Cancel, Notes, Help, Employee is inactive, Taxes..., Sick/Vacation..., Direct Deposit, Order Business Cards

The Payroll Info tab contains an employee's specific salary or hourly rate, and any additions, deductions, or company contributions. You can see tax information for this employee (the type of information you get from a W-4) by clicking the Taxes button.

6 Click Taxes.

QuickBooks displays the Federal tab of the Taxes for Dan T. Miller window.

The checkboxes indicate the types of taxes the employee should have deducted from each paycheck. A checkmark in the Federal Unemployment checkbox indicates that this employee's pay is subject to the employer-paid federal unemployment tax.

7 Click the State tab to review the state withholdings.

This window stores information about state withholding taxes, state unemployment, and state disability.

8 Click OK to return to the Edit Employee window.**9** Click OK again to return to the Employee Center.

Using the employee defaults to store common information

QuickBooks stores a wealth of information about each employee, but it doesn't require you to enter the same information over and over. When you have information that applies to most of your employees, you can enter it into your employee defaults. Then, when you add an employee, QuickBooks automatically fills in the information stored with the defaults. You just need to add or change any information that is different for a particular employee.

To view employee defaults:

- 1 With the Employee Center displayed, choose Change New Employee Default Settings from the Manage Employee Information menu button. QuickBooks displays the Employee Defaults window.

Item Name	Hourly/Annual Rate
Regular Pay	

Payroll Schedule: [Dropdown]
Pay Frequency: Biweekly [Dropdown]
Class: [Dropdown]

Use time data to create paychecks

What is a payroll schedule?

Item Name	Amount	Limit

Employee is covered by a qualified pension plan

Taxes...
Sick/Vacation...

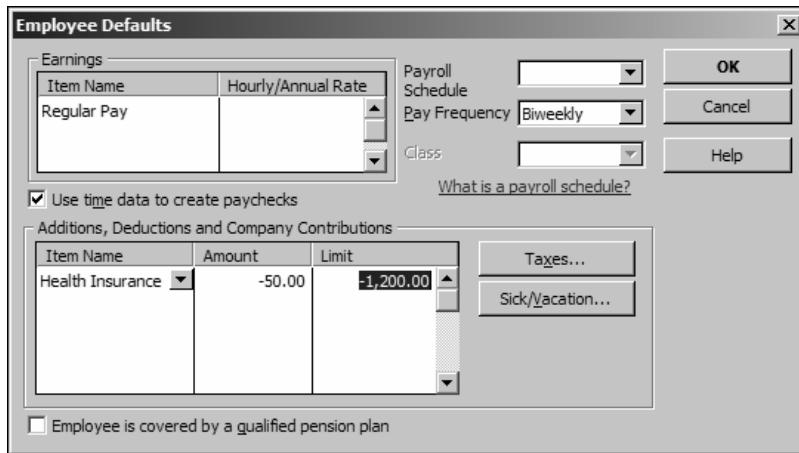
Use this window to set up the payroll information that most of your employees have in common. QuickBooks saves the information so you won't have to re-enter it when you set up the payroll record for an individual employee.

Rock Castle Construction employees are not paid on the same schedule, so you would not enter default payroll schedule or pay frequency here. You'll learn how to set up payroll schedules in the next exercise.

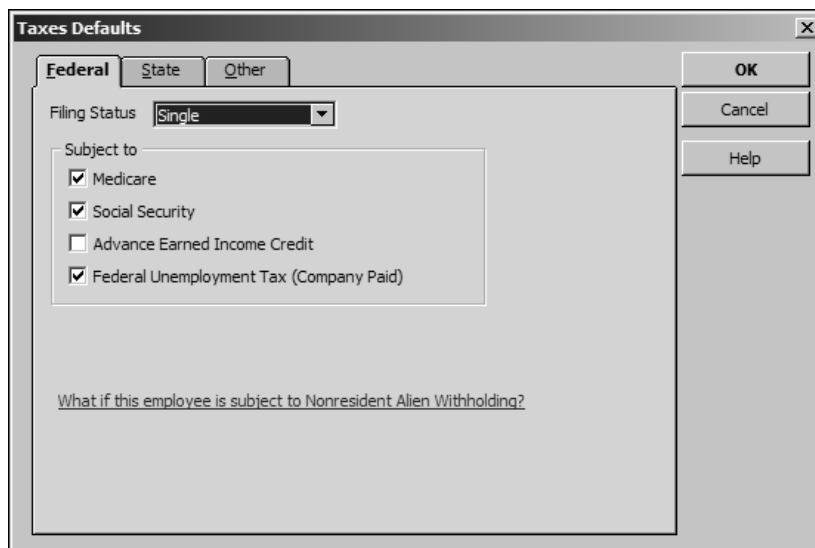
All employees are subject to a deduction for health insurance, limited to a maximum of \$1,200. This information isn't reflected in the defaults, so you can add it now.

- 2 Select the "Use time data to create paychecks" checkbox to include pay for time entered using the time tracking feature.
- 3 In the Additions, Deductions and Company Contributions area, click in the Item Name column, and then choose Health Insurance from the drop-down list.

- In the Amount column, type **50** and press Tab.
Your screen should look like the following.



- Click Taxes.
QuickBooks displays the Federal tab of the Taxes Defaults window.



The withholding taxes that should be deducted from each employee paycheck are entered in this window.

- Click Cancel to close the Taxes Defaults window.

- 7 Click Sick/Vacation.

QuickBooks displays the Sick & Vacation Defaults window.

Sick and Vacation Defaults

Sick

Accrual period: Beginning of year

Hours accrued at beginning of year: 40:00

Maximum number of hours: 40:00

Reset hours each new year?

Vacation

Accrual period: Every paycheck

Hours accrued per paycheck: 6:45

Maximum number of hours: 160:00

Reset hours each new year?

Sick and Vacation Accrual

Do not accrue employee sick and vacation hours for:

Sick and vacation hours paid

Overtime hours paid

OK, Cancel, Help

Information regarding earned sick days and vacation days is entered in this window. QuickBooks keeps track of the earned time each pay period.

- 8 Click Cancel to close the Sick & Vacation Defaults window.
- 9 Click OK to close the Employee Defaults window.

QuickStart Tip

The employee defaults affect employees you set up in the future. If your employee list already contains names of employees but does not have payroll information for them, the defaults will not be applied to those employees.

Setting up payroll schedules

You can set up payroll schedules to group employees with the same pay frequency (daily, semi-monthly, bi-weekly, and monthly). You define how often you pay your employees, which date their paycheck is due, and which day you run payroll. QuickBooks calculates your upcoming payroll schedule so that you can pay your employees on time.

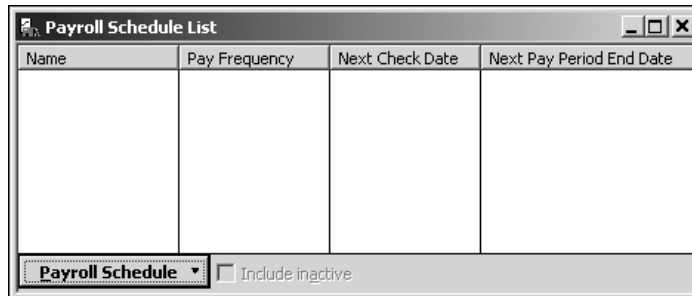
Using payroll schedules is a quick and convenient way to pay your employees at each pay period. You set up the payroll schedule one time, assign the payroll schedule to the appropriate employees, and QuickBooks calculates the due dates for each upcoming pay period.

Note: If you do not set up at least one payroll schedule, you can still pay employees using **Unscheduled Payroll** in the Payroll Center.

Suppose Rock Castle Construction has two payroll schedules: one for exempt employees who are paid monthly and another one for non-exempt employees who are paid weekly.

To define a payroll schedule:

- 1 From the Employees menu, choose Add or Edit Pay Schedules.
QuickBooks displays the Payroll Schedule List window.



- 2 Click the Payroll Schedule menu button, and then choose New.
QuickBooks displays the New Payroll Schedule window.

The information you provide will be used to create a payroll schedule. [What is a payroll schedule?](#)
You can set up multiple payroll schedules if you need to. [Why do I need multiple schedules?](#)

Tell us how you'll be processing payroll using QuickBooks: [How do I set up a payroll schedule?](#)

What do you want to name this payroll schedule? (e.g., "Weekly", "Biweekly", "Monthly", etc)

How often will you pay your employees on this schedule?

What is the pay period end date?

What date should appear on paychecks for this pay period?

The following is based on the information supplied above:
You pay your employees DD days after the pay period end date in this payroll schedule.

Schedule is inactive

OK Cancel

- 3 Type **Monthly** in the "What do you want to name this payroll schedule?" field.
- 4 Press Tab and select Monthly as the pay frequency.

- 5 Press Tab and select 12/31/2007 as the pay period end date.

A pay period is the duration of time for which you are paying your employee wages. The pay period end date is the last date of the pay period you have specified for a specific pay schedule. It is the last date of the pay period that you want this paycheck to cover. QuickBooks uses this date to calculate how many weeks an employee has worked in a year and the time information to include in the paycheck.

- 6 Press Tab and select 12/31/2007 as the date that should appear on the checks.

The check date is the date when employees know they are getting paid. It is the date you want the paycheck to affect your bank account. For example, your pay period end date could be Friday, April 14, but your paycheck date is 5 business days later on the following Friday, April 21. The IRS bases your tax liability and that of your employees on the check date. For example, if you pay an employee in January 2007 for time worked in December 2006, the income is reported on the employee's 2007 W-2 form.

- 7 Press Tab and choose "Last day of the month" from the drop-down menu.

This is the date that the paycheck date falls on for the month.

Your screen should resemble the following graphic:

New Payroll Schedule

The information you provide will be used to create a payroll schedule. [What is a payroll schedule?](#)
You can set up multiple payroll schedules if you need to. [Why do I need multiple schedules?](#)

Tell us how you'll be processing payroll using QuickBooks [How do I set up a payroll schedule?](#)

What do you want to name this payroll schedule? (e.g., "Weekly", "Biweekly", "Monthly", etc)

How often will you pay your employees on this schedule?

What is the pay period end date?

What date should appear on paychecks for this pay period?

What day should appear on paychecks for this pay period?

The following is based on the information supplied above:
You pay your employees on the same day as the pay period end date in this payroll schedule.
The paycheck date for the current month is 12/31/2007 for the pay period ending on 12/31/2007.

Schedule is inactive

OK **Cancel**

8 Click OK.

The Payroll Schedule List now includes the Monthly pay schedule.

Name	Pay Frequency	Next Check Date	Next Pay Period End Date
Monthly	Monthly	12/31/2007	12/31/2007

Payroll Schedule Include inactive

9 To define the pay schedule for the employees paid weekly, click the Payroll Schedule menu button, and then choose New.

10 Type **Weekly** in the “What do you want to name this payroll schedule?” field.

11 Press Tab and select Weekly as the pay frequency.

12 Press Tab and select 12/22/2007 as the pay period end date.

13 Press Tab and select 12/22/2007 as the date that should appear on the checks.

Your screen should resemble the following graphic:

The information you provide will be used to create a payroll schedule. [What is a payroll schedule?](#)
 You can set up multiple payroll schedules if you need to. [Why do I need multiple schedules?](#)

Tell us how you'll be processing payroll using QuickBooks: [How do I set up a payroll schedule?](#)

What do you want to name this payroll schedule? (e.g., "Weekly", "Biweekly", "Monthly", etc)

How often will you pay your employees on this schedule?

What is the pay period end date?

What date should appear on paychecks for this pay period?

The following is based on the information supplied above:
 You pay your employees on the same day as the pay period end date in this payroll schedule.

Schedule is inactive

OK Cancel

14 Click OK.

15 Close the Payroll Schedule List.

Now that you've set up the pay schedules, you can assign each employee to the appropriate pay schedule.

Assigning employees to pay schedules

To assign employees to a schedule, choose the payroll schedule on the Payroll Compensation Info tab of the employee record. (You can also assign employees during the Payroll Schedule Setup process, but for this exercise, we'll use the employee records.)

To assign a pay schedule:

- 1 From the Employees menu, choose Employee Center.
- 2 Click the Employees tab if it is not already selected.
- 3 Select Dan T. Miller and then click Edit Employee.
- 4 In the Edit Employee window, choose Payroll and Compensation Info from the Change tabs drop-down list.

The screenshot shows the 'Edit Employee' window for Dan T. Miller. The 'Change tabs' dropdown is set to 'Payroll and Compensation Info'. The 'Payroll Info' section is active, showing an 'Earnings' table with one row: 'Salary' at a rate of 41,500.00. To the right, the 'Payroll Schedule' dropdown is empty, and the 'Pay Frequency' is set to 'Biweekly'. Below the earnings table, there is a checked checkbox for 'Use time data to create paychecks'. The 'Additions, Deductions and Company Contributions' section contains a table with one row: 'Health Insurance' with an amount of -25.00 and a limit of -600.00. At the bottom, there is an unchecked checkbox for 'Employee is covered by a qualified pension plan'. On the right side of the window, there are buttons for 'OK', 'Cancel', 'Notes', 'Help', 'Employee is inactive' (unchecked), 'Taxes...', 'Sick/Vacation...', 'Direct Deposit', and 'Order Business Cards'.

- 5 From the Payroll Schedule drop-down list, select Monthly.

Dan Miller is an exempt employee and he is paid monthly. Notice that QuickBooks changes the Pay Frequency to Monthly.

Your screen should resemble the following graphic.

Information for: Dan T. Miller

Change tabs: Payroll and Compensation Info

Payroll Info

Earnings

Item Name	Hourly/Annual Rate
Salary	41,500.00

What is a payroll schedule?
 Payroll Schedule: Monthly
 Pay Frequency: Monthly

Use time data to create paychecks

Additions, Deductions and Company Contributions

Item Name	Amount	Limit
Health Insurance	-25.00	-600.00

Employee is covered by a qualified pension plan

Taxes...
 Sick/Vacation...
 Direct Deposit

Order Business Cards

OK
 Cancel
 Notes
 Help
 Employee is inactive

- 6** Click OK.
- 7** Select Elizabeth Mason from the Employee List and click Edit Employee.
- 8** In the Edit Employee window, choose Payroll and Compensation Info from the Change tabs drop-down list.
- 9** From the Payroll Schedule drop-down list, select Weekly.
 Elizabeth Mason is a non-exempt employee and she is paid weekly. Notice that QuickBooks changes the Pay Frequency to Weekly.
- 10** Click OK.
- 11** Repeat the steps for Gregg Schnieder and assign him to the Weekly pay schedule.
 Leave the Employee Center open. You'll use it in the next exercise.

Adding a new employee

Suppose you have a new employee on the payroll, and want to add him to your records.

To add a new employee:

- 1 With the Employee Center displayed, click New Employee.
QuickBooks displays the New Employee window.
- 2 On the Personal tab, enter the employee data as shown below.

The screenshot shows the 'New Employee' window in QuickBooks. The window title is 'New Employee' and it displays information for 'Michael M. Wilhite'. The 'Personal' tab is selected, showing the following fields:

- Mr./Ms./...: Mr.
- Legal Name:
 - First Name: Michael
 - M.I.: M.
 - Last Name: Wilhite
- Print on Checks as: Michael M. Wilhite
- SS No.: 555-55-4321
- Gender: Male
- Date of Birth: 01/21/1975

On the right side of the window, there are buttons for 'OK', 'Cancel', 'Next', and 'Help'. There is also a checkbox for 'Employee is inactive' and a button for 'Order Business Cards'.

- 3** On the Address and Contact tab, enter the employee data as follows.

New Employee

Information for: Michael M. Wilhite

Change tabs: Personal Info

Personal **Address and Contact** Additional Info

Home Address

Address 153 West Main Street

City Bayshore

State CA Zip 94326

Phone 415-555-1234

Cellular 415-555-5678

Alt. Phone

Fax

E-mail mwilhite@samplename.com

Payer PIN (Pager)

OK

Cancel

Next

Help

Employee is inactive

Order Business Cards

- 4** In the Change tabs drop-down list, select Employment Info.
- 5** In the Hire Date field, enter 11/28/2007.
- 6** In the Change tabs drop-down list, select Payroll and Compensation Info.
- 7** In the Earnings section of the window, click the Item Name column and press Tab. (Notice that the Regular Pay item is displayed already.)
- 8** In the Hour/Annual Rate column for the Regular Pay payroll item, type **15**. Then press Tab.

- 9** From the Pay Schedule drop-down list, choose Weekly.
The Payroll Info tab should look like the following.

The screenshot shows the 'New Employee' window for Michael M. Wilhite. The 'Payroll Info' tab is active. The 'Earnings' table has one entry: Regular Pay with a rate of 15.00. The 'Additions, Deductions and Company Contributions' table has one entry: Health Insurance with an amount of -50.00 and a limit of -1,200.00. The 'Payroll Schedule' and 'Pay Frequency' are both set to 'Weekly'. There are buttons for 'Taxes...', 'Sick/Vacation...', and 'Direct Deposit'. A checkbox for 'Employee is inactive' is present and unchecked. A link for 'What is a payroll schedule?' is also visible.

Item Name	Hourly/Annual Rate
Regular Pay	15.00

Item Name	Amount	Limit
Health Insurance	-50.00	-1,200.00

- 10** Click Taxes.
QuickBooks displays the Federal tab of the Taxes for Michael M. Wilhite window.
- 11** From the Filing Status drop-down list, choose Married.
- 12** Click State.
QuickBooks displays the State tab of the Taxes for Michael M. Wilhite window.
- 13** In the Filing Status field, choose “Married (two incomes).”
- 14** Click OK.
QuickBooks returns to the New Employee window.
- 15** In the Additions, Deductions, and Company Contributions area, type **15** in the Amount column for Health Insurance and press Tab.

QuickBooks enters -15.00 in the Amount column. The New Employee window should now look like this.

Information for: Michael M. Wilhite

Change tabs: Payroll and Compensation Info

Payroll Info

Earnings

Item Name	Hourly/Annual Rate
Regular Pay	15.00

What is a payroll schedule?
 Payroll Schedule: Weekly
 Pay Frequency: Weekly

Use time data to create paychecks

Additions, Deductions and Company Contributions

Item Name	Amount	Limit
Health Insurance	-15.00	-1,200.00

Employee is covered by a qualified pension plan

Buttons: OK, Cancel, Next, Help, Employee is inactive, Taxes..., Sick/Vacation..., Direct Deposit, Order Business Cards

16 Click OK.

17 When QuickBooks asks whether you want to set up additional payroll information, click Leave As Is.

QuickBooks returns to the Employee Center, where the new employee's name is now displayed.

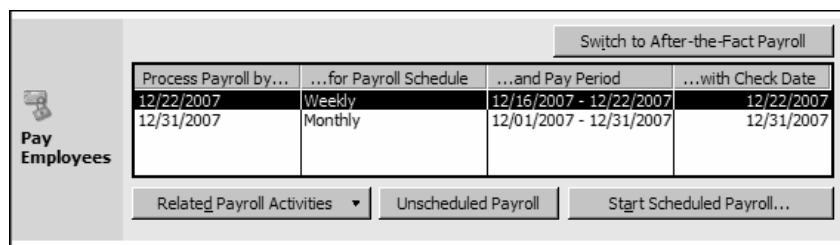
18 Leave the Employee Center open, you'll use it in the next exercise.

Running a payroll schedule

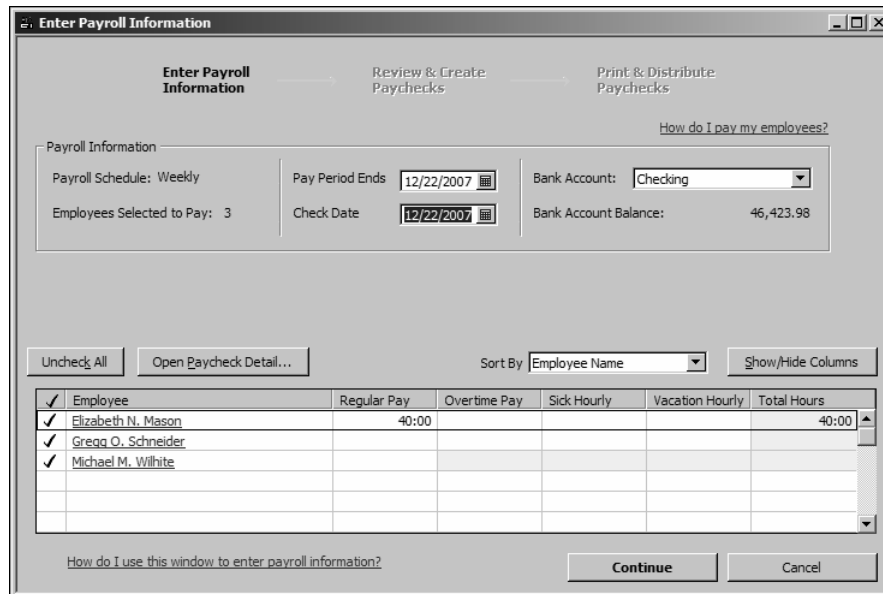
QuickBooks lets you print payroll checks in a batch based on payroll schedules. You may want to process the paychecks of salaried employees in one batch, and do payroll for the weekly employees as another batch.

To run a paycheck:

- 1 In the Employee Center, click the Payroll tab.
QuickBooks displays the Payroll Center.
- 2 In the Pay Employees section, choose the Weekly pay schedule.



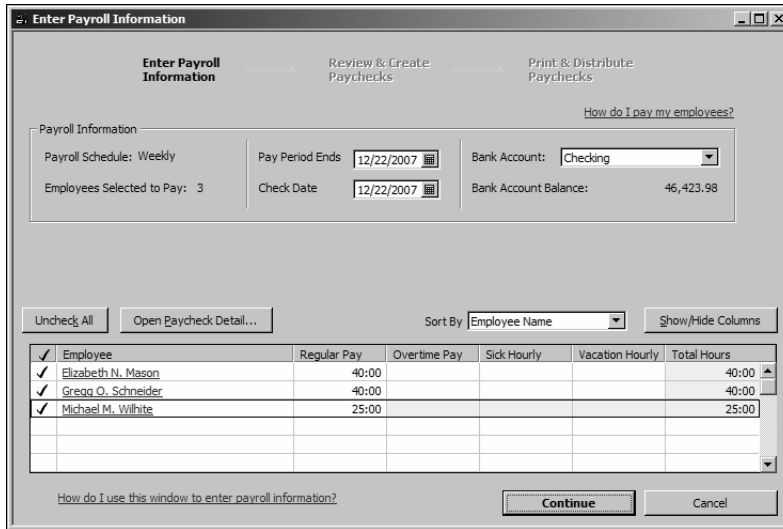
- 3 Click the Start Scheduled Payroll button.
QuickBooks displays the Enter Payroll Information window.



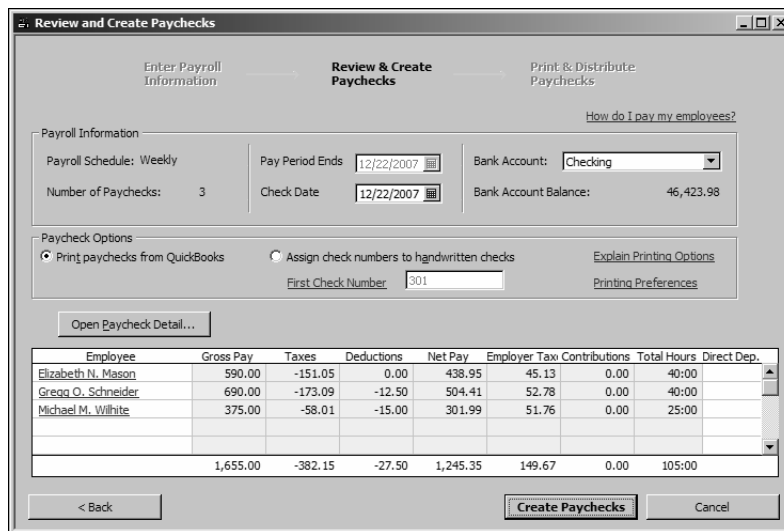
Notice that QuickBooks has filled in the Pay Period Ends field and the Check Date field based on the Weekly pay schedule you set up.

- 4 Click in the Regular Pay column for Gregg O. Schneider's name and enter **40**.

- Click in the Regular Pay column for Michael M. Wilhite's name and enter **25** and press Tab.
Your screen should resemble the following graphic.



- Click Continue.
QuickBooks displays the Review and Create Paychecks window. To review an employee's paycheck, click the employee name.



- In the Employee column, click Michael M. Wilhite. (Be sure to click the underlined link for the employee name.)

QuickBooks fills in the Employee Summary area of the Preview Paycheck window, showing the gross regular pay and all of the deductions from Michael's paycheck. The net amount of the check appears at the bottom.

Preview Paycheck
Michael M. Wilhite Pay Period: 12/16/2007 - 12/22/2007
 Use Direct Deposit

Earnings

Item Name	Rate	Hours	Customer:Job	Service Item
Regular Pay	15.00	25:00		
Totals:		375.00	25:00 hrs	

Sick Available: 0:00
 Vacation Avail.: 6:45
 Sick Accrued:
 Vac. Accrued: 6:45
 Do not accrue sick/vac

Other Payroll Items

Item Name	Rate	Quantity
Health Insurance		-15.00

Company Summary

Item Name	Amount	YTD
CA - Employee Training Tax	0.38	0.38
Social Security Company	23.25	23.25
Medicare Company	5.44	5.44
Federal Unemployment	3.00	3.00
CA - Unemployment Company	19.69	19.69

Employee Summary

Item Name	Amount	YTD
Regular Pay	375.00	375.00
Health Insurance	-15.00	-15.00
Federal Withholding	-22.00	-22.00
Social Security Employee	-23.25	-23.25
Medicare Employee	-5.44	-5.44
CA - Withholding	-5.07	-5.07
CA - Disability Employee	-2.25	-2.25

Check Amount: 301.99

Buttons: Save & Previous, Save & Next, Save & Close, Cancel, Help, Enter net/Calculate gross

Because payroll tax rates change regularly, your numbers may vary from this illustration.

The Company Summary area of the window shows company-paid taxes and contributions that don't affect the amount of the paycheck (company-paid benefits).

8 Click Save & Close to return to the Review and Create Paychecks window.

9 Click Create Paychecks.

QuickBooks writes a payroll check for each employee in the weekly payroll schedule for the correct net amount, showing the deductions in the voucher area.

QuickBooks confirms that you have created the paychecks. You can then choose to print the paychecks.

10 You don't want to print the paychecks now, so click Close.

11 Close the Payroll Center.

Viewing the paycheck

QuickBooks records payroll checks in your QuickBooks checking account register. You can see the check by going to the register.

To view the paycheck from the register:

- 1 From the Lists menu, choose Chart of Accounts.
- 2 Double-click "Checking."
QuickBooks displays the Checking account register.
- 3 Select the paycheck transaction for Michael M. Wilhite, and click Edit Transaction.
QuickBooks displays the Paycheck – Checking window for Michael. Notice that the Paycheck Summary shows a summary of the check's deductions. If you want to see the deductions that make up this total, you can click the Paycheck Detail button.

Paycheck - Checking

Bank Account: **Checking** Ending Balance: 45,178.63

Pay to the Order of: **Michael M. Wilhite** No. To Print: **1**
Date: **12/22/2007**
Amount: **\$ 301.99**

Three hundred one and 99/100* ***** Dollars

Address: **Michael M. Wilhite
153 West Main Street
Bayshore, CA 94326**

Memo: _____

To be printed

Paycheck Summary		Pay Period 12/16/2007 - 12/22/2007	
Earnings	375.00	Hours Worked	25:00
Additions	0.00		
Taxes	-58.01		
Deductions	-15.00		

Buttons: **Save & Close** **Revert** **Paycheck Detail...** **Order Checks**

- 4 Click Save & Close to close the Paycheck – Checking window.
- 5 Close the checking account register, but leave the chart of accounts open.

Printing paychecks and paycheck stubs

You can print paychecks as you would any QuickBooks check. If you use voucher checks, QuickBooks prints the payroll item detail in the voucher area. If you don't use voucher checks, you can print paystubs to give to your employees.

To print a paycheck:

- 1 From the File menu, choose Print Forms, and then choose Paychecks. QuickBooks displays the Select Paychecks to Print window.
- 2 In the First Check Number field, type **301**.

<input checked="" type="checkbox"/>	Date	Employee	Amount
<input checked="" type="checkbox"/>	12/22/2007	Elizabeth N. Mason	438.95
<input checked="" type="checkbox"/>	12/22/2007	Gregg O. Schneider	504.41
<input checked="" type="checkbox"/>	12/22/2007	Michael M. Wilhite	301.99

- 3 Make sure there's a checkmark next to all the employee names, and then click OK.
- 4 Click Print.

Tracking your tax liabilities

Refer to Handout 10, "List of payroll expenses and liabilities."

As an employer, you need to track both payroll expenses and payroll liabilities. These are the company payroll expenses you need to track:

- Employees' gross pay
- Employer payroll taxes, such as contributions to social security (FICA), Medicare, federal and state unemployment insurance, and state disability insurance

QuickBooks uses an expense account called Payroll Expenses to track these actual costs to your company. (The funds you deduct from employee paychecks aren't considered an actual cost because they're monies you're holding for the government; they don't come directly from your company assets.) Whenever you run your payroll, QuickBooks keeps track of your company's expenses for each employee. You can then see totals for these expenses on the payroll summary by employee report and on the profit and loss statement.

QuickBooks uses the Payroll Liabilities account (an Other Current Liability account) to track what you owe to the government. When you do your payroll, QuickBooks calculates how much you owe for each tax, deduction, or company contribution payroll item and records that information as a transaction in the liability account. This produces a record of how much tax you owe at any time, so you can plan to have the cash available for payment. When you pay your payroll taxes or other payroll liabilities, QuickBooks decreases the balance of the liability account.

Look at the payroll expense and liability accounts, so you can see how QuickBooks recorded expenses and liabilities related to Michael Wilhite’s paycheck.

To display the payroll expenses QuickReport:

- 1 In the Chart of Accounts window, select the Payroll Expenses account.
- 2 From the Reports menu button, choose QuickReport: Payroll Expenses.
- 3 From the Dates drop-down menu, choose This Month.

QuickBooks displays the QuickReport. You can scroll through the report to see the expense items paid by the company for Michael Wilhite’s paycheck.

11:58 AM
12/15/07

Rock Castle Construction
Account QuickReport
December 2007

Accrual Basis

Type	Date	Num	Name	Memo	Split	Amount
Paycheck	12/22/2007		Michael M. Wilhite		Checking	375.00
Paycheck	12/22/2007		Michael M. Wilhite		Checking	0.38
Paycheck	12/22/2007		Michael M. Wilhite		Checking	23.25
Paycheck	12/22/2007		Michael M. Wilhite		Checking	5.44
Paycheck	12/22/2007		Michael M. Wilhite		Checking	3.00
Paycheck	12/22/2007		Michael M. Wilhite		Checking	19.69
Total Payroll Expenses						5,569.35
TOTAL						5,569.35

- 4 Close the QuickReport.

- In the chart of accounts, double-click the Payroll Liabilities account. QuickBooks displays the register for the account. The register shows a separate transaction for each item from Michael's paycheck. The running balance shows an increase for every liability.

Date	Ref	Payee	Increase	Decrease	Balance
Type	Account	Memo			
12/22/2007	PAY CHK	Michael M. Wilhite Checking [split]	15.00		3,751.61
12/22/2007	PAY CHK	Michael M. Wilhite Checking [split]	0.38		3,751.99
12/22/2007	PAY CHK	Michael M. Wilhite Checking [split]	22.00		3,773.99
12/22/2007	PAY CHK	Michael M. Wilhite Checking [split]	23.25		3,797.24
12/22/2007	PAY CHK	Michael M. Wilhite Checking [split]	23.25		3,820.49
12/22/2007	PAY CHK	Michael M. Wilhite Checking [split]	5.44		3,825.93
12/22/2007	PAY CHK	Michael M. Wilhite Checking [split]	5.44		3,831.37
12/22/2007	PAY CHK	Michael M. Wilhite Checking [split]	3.00		3,834.37
12/22/2007	PAY CHK	Michael M. Wilhite Checking [split]	5.07		3,839.44
12/22/2007	PAY CHK	Michael M. Wilhite Checking [split]	2.25		3,841.69
12/22/2007	PAY CHK	Michael M. Wilhite Checking [split]	19.69		3,861.38
12/15/2007	Ref	Payee	Increase	Decrease	
		Account			

Ending balance 3,861.38

- Close the register.
- Close the chart of accounts.

QuickStart Tip

The employee earnings summary report summarizes the wages, taxes, and adjustments, the gross pay (total and adjusted), and the taxes withheld for each employee and the entire company.

The payroll summary report shows information similar to the employee earnings summary report, but in a much different layout. The report has a column for each employee and a row for each payroll item.

To create either of these reports, choose Employees & Payroll from the Reports menu.

Paying payroll taxes

As long as you have a valid subscription to one of the Intuit Payroll Services, QuickBooks uses current tax tables to keep track of your tax liabilities as they accrue, so you know how much you owe at any time.

Figuring out what you owe

If you're about to pay taxes or other liabilities, the payroll liabilities report shows you how much to pay. Suppose you are ready to make a tax payment, and you want to see how much you owe.

To create a payroll liabilities report:

- 1 From the Reports menu, choose Employees & Payroll, and then choose Payroll Liability Balances.
- 2 Click Modify Report, select "Display columns by Year across the top," and then click OK.

QuickBooks displays a report that shows what you owe for each payroll item.

Rock Castle Construction	
Payroll Liability Balances	
January through November 2007	
◊ BALANCE ◊	
Payroll Liabilities	
Federal Withholding	2,208.00
Medicare Employee	270.55
Social Security Employee	1,218.78
Federal Unemployment	3.64
Medicare Company	270.55
Social Security Company	1,218.78
CA - Withholding	434.89
CA - Disability Employee	60.60
CA - Unemployment Company	23.94
CA - Employee Training Tax	0.46
Health Insurance	537.50
Total Payroll Liabilities	<u>6,247.69</u>

- 3 Close the report.
- 4 Click No at the message asking if you'd like to memorize the report.

Writing a check for payroll taxes

QuickBooks recommends that you set up scheduled tax payments for your payroll taxes. But you can also make an unscheduled tax payment if, for example, you don't have an active QuickBooks Payroll subscription, you have a payroll tax that isn't set up as a scheduled payment, or you need to make an adjustment to a payroll tax.

When it's time to deposit payroll taxes with your deposit institution, use the Liability Check window to fill out a QuickBooks check.

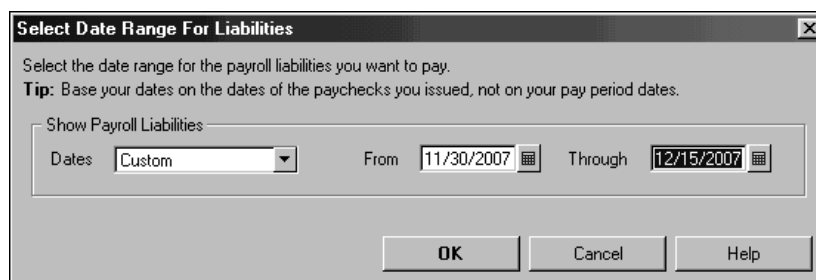
Note: Don't just open the Write Checks window and write a check from there to make payroll tax payments. QuickBooks can't properly adjust your Payroll Liabilities account unless you use the Pay Liabilities feature.

To pay payroll liabilities:

- 1 From the Employees menu, choose Payroll Taxes and Liabilities, and then click Create Custom Liability Payments.

QuickBooks displays the Select Date Range For Liabilities window.

- 2 In the "From" field type **11/30/2007**, and then type **12/15/2007** in the "Through" field.



- 3 Click OK.

QuickBooks displays the Pay Liabilities window.

✓	Payroll Item	Payable To	Balance	Amt. To Pay
	CA - Disability Employee	Employment Development Department	9.50	0.00
	CA - Employee Training Tax	Employment Development Department	0.00	0.00
	CA - Unemployment Company	Employment Development Department	0.00	0.00
	CA - Withholding	Employment Development Department	77.97	0.00
	Advance Earned Income Credit	Great Statewide Bank	-25.00	0.00
	Federal Unemployment	Great Statewide Bank	0.00	0.00
	Federal Withholding	Great Statewide Bank	397.00	0.00
	Medicare Company	Great Statewide Bank	50.71	0.00
	Medicare Employee	Great Statewide Bank	50.71	0.00
			1,007.03	0.00

- 4** Click in the column to the left of the Federal Withholding payroll item.
QuickBooks places a checkmark in the column to show that the item will be paid. It also places a checkmark next to the Advanced Earned Income Credit item.
- 5** Click in the column to the left of the Medicare Company payroll item.
QuickBooks places checkmarks in the column for both Medicare Company and Medicare Employee.
- 6** Click in the column to the left of the Social Security Company payroll item.
QuickBooks places checkmarks in the column for both Social Security Company and Social Security Employee.

Doing payroll with QuickBooks

Now your Pay Liabilities window should look like the following.

Pay Liabilities

To be printed

Bank Account: Checking

Check Date: 12/15/2007

Review liability check to enter expenses/penalties
 Create liability check without reviewing

Buttons: Create, Cancel, Payroll Liabilities Report, Help

Show Payroll Liabilities: Dates: Custom From 11/30/2007 Through 12/15/2007

Sort By: Payable To

<input checked="" type="checkbox"/>	Payroll Item	Payable To	Balance	Amt. To Pay
<input type="checkbox"/>	CA - Unemployment Company	Employment Development Department	0.00	0.00
<input type="checkbox"/>	CA - Withholding	Employment Development Department	77.97	0.00
<input checked="" type="checkbox"/>	Advance Earned Income Credit	Great Statewide Bank	-25.00	-25.00
<input checked="" type="checkbox"/>	Federal Unemployment	Great Statewide Bank	0.00	0.00
<input checked="" type="checkbox"/>	Federal Withholding	Great Statewide Bank	397.00	397.00
<input checked="" type="checkbox"/>	Medicare Company	Great Statewide Bank	50.71	50.71
<input checked="" type="checkbox"/>	Medicare Employee	Great Statewide Bank	50.71	50.71
<input checked="" type="checkbox"/>	Social Security Company	Great Statewide Bank	216.82	216.82
<input checked="" type="checkbox"/>	Social Security Employee	Great Statewide Bank	216.82	216.82
			1,007.03	907.06

Hide zero balances

Ending Bank Balance: 44,271.57

- 7 Make sure “Review liability check to enter expenses/penalties” is selected and then click Create.

QuickBooks displays the Liability Check window, with your check displayed.

Liability Check - Checking

Bank Account: Checking Ending Balance: 44,271.57

Pay to the Order of: Great Statewide Bank

Date: 12/15/2007

\$ 907.06

Nine hundred seven and 06/100* ***** Dollars

Address: Great Statewide Bank
P.O. Box 522
Bayshore CA 94326

Memo: 00-7904153

Buttons: Previous, Next, Print, Find, History, Journal

Period: 11/30/2007 - 12/15/2007 To be printed

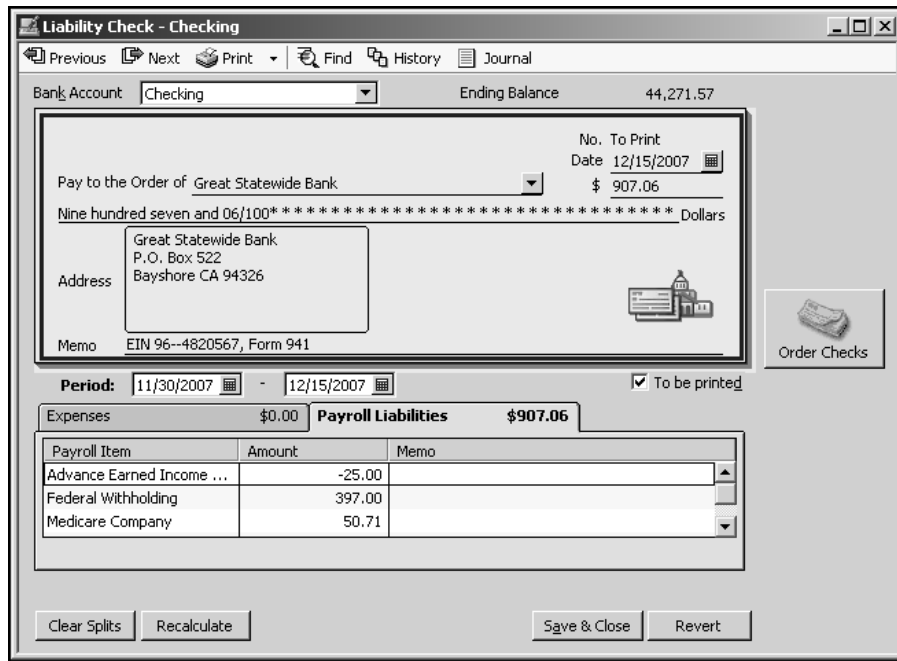
Expenses: \$0.00 Payroll Liabilities: \$907.06

Payroll Item	Amount	Memo
Advance Earned Income ...	-25.00	
Federal Withholding	397.00	
Medicare Company	50.71	

Buttons: Clear Splits, Recalculate, Save & Close, Revert, Order Checks

You should use a separate check for each type of deposit coupon (for example, 941 or 940).

- 8 In the Memo field, type *EIN 96-4820567, Form 941*.
The Liability Check window should now look like the following.



- 9 Click Save & Close to record the check.
- 10 Click Yes if QuickBooks asks if you wish to save changes made to this transaction.

Whenever you make a payment and record your check this way, QuickBooks decreases the balance of the Payroll Liabilities account.

When you record the transaction, QuickBooks creates a journal entry. The following table shows the journal entry for the payroll liability transaction.

Account Title	Debit	Credit
Checking		\$907.06
Payroll Liabilities		\$25.00
Payroll Liabilities	\$397.00	
Payroll Liabilities	\$50.71	
Payroll Liabilities	\$50.71	
Payroll Liabilities	\$216.82	
Payroll Liabilities	\$216.82	

